Brandes International ETF

FUND INFORMATION

Ticker	BINV
CUSIP	900934209
NAV Symbol	BINV.NV
Primary Exchange	CBOE
Dividend Frequency	Quarterly
Expense Ratio	0.70%

STRATEGY

BINV is an actively managed ETF that seeks long-term capital appreciation by investing primarily in equity securities of non-U.S. companies.

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. All performance is historical and includes reinvestment of dividends and capital gains. Performance data current to the most recent month end may be obtained by calling (866) 307-0477.

TOP TEN HOLDINGS

(% of assets as of 3/31/2025)

Takeda Pharmaceutical Co Ltd	3.11
GSK PLC	2.92
Heineken Holding NV	2.91
Alibaba Group Holding Ltd	2.77
Sanofi SA	2.56
BNP Paribas SA	2.22
Carrefour SA	2.18
Swatch Group AG	2.14
Ambev SA	2.06
Embraer SA	2.05

Fund holdings are subject to change at any time at the discretion of the investment manager.

The Brandes International ETF rose 10.26%/10.82% (NAV/Market Price), outperforming its benchmark, the MSCI EAFE Index, which increased 6.86% in the quarter, and underperforming the MSCI EAFE Value Index, which appreciated 11.56%.

Positive Contributors

Top performers included aerospace and defense companies Rolls-Royce in the U.K. and Embraer in Brazil. Both companies appreciated substantially over the past few years as their end markets recovered, leading to better-than-expected earnings with higher volumes and enhanced margins. Rolls-Royce upgraded its fiscal-year guidance and announced a share buyback as its balance sheet strengthened on the back of healthy cash-flow generation. Meanwhile, Embraer secured several new wins against competitors in its defense business. This, coupled with an expanding order backlog for regional jets, has further boosted market confidence in the company's prospects.

Select holdings in the beverage industry, in which we have been finding more opportunities over the past year, also helped returns. Noteworthy contributors included Netherlands-based Heineken Holding and Brazil's Ambev.

Additionally, financials was one of the best-performing sectors in the benchmark and several of the Fund's holdings showed robust results, notably France-based BNP Paribas and Italian Intesa Sanpaolo. European banks have fared well so far this year, thanks to earnings growth that exceeded expectations and an improved economic environment, which has led to a growth in loans and increased market optimism. We modestly pared some of our holdings following the solid performance and ended the quarter with a significantly lower weight to financials than the benchmark.

Other contributors included China-based Alibaba, Germany's Heidelberg Materials, and French telecom company Orange. Alibaba rose on favorable earnings results and positive reactions to its progress in artificial intelligence (AI). In addition to launching its own AI models, Alibaba benefited from the release of DeepSeek, which utilizes Alibaba Cloud.

Performance Detractors

Many technology-related stocks in the market pulled back, including the Fund's semiconductor holdings STMicroelectronics and Taiwan Semiconductor Manufacturing Company (TSMC). TSMC tumbled amid concerns around semiconductor capital expenditure spending, triggered by the announcement of a significantly lower-cost AI model from DeepSeek. The company also faced investor skepticism about its announced substantial spending in the United States.

Other material detractors included investments in the consumer and communication services sectors, such as advertising agencies WPP and Publicis, luxury goods companies Kering and Swatch, as well as consumer staples holdings Henkel and J Sainsbury.

U.K.-based WPP issued weaker guidance for 2025 as its turnaround has lagged behind the anticipated timeline. The stock price of its France-based peer, Publicis, also declined due to worries about weaker industry growth this year.

Shares of France-based Kering fell after its recently appointed CEO announced a new creative director for the company's Gucci brand. This new hire will likely result in a potential rebound taking longer than the market had previously expected. Additionally, after rising early in the quarter, the luxury goods industry has recently softened as a result of increasing concern about the U.S. macro environment and the potential impact of tariffs on U.S. consumer purchases. While market pessimism has undermined Kering in the short term, we believe the shares continue to offer an attractive long-term opportunity. Kering has historically generated robust free cash flow in different economic environments and enjoys durable brand recognition. We also appreciate its management alignment with shareholders and importantly, its current valuation, which is discounted relative to its own history and that of its peers.

Relative to both the broad and the value indexes, the Fund's underweight to financials was a detractor from returns.

Select Activity in the Quarter

The quarter marked a relatively active period for the Fund. The investment committee divested the Fund's position in German health care services provider Fresenius SE as it appreciated to our estimates of its intrinsic value. The investment committee also exited its position in Japan's Nissan Motor early in the quarter after it had risen at the end of last year on speculation of a merger or alliance with Honda Motor.

Additionally, the committee took advantage of short-term and company-specific market negativity to add several new positions to the Fund's portfolio, including retailer Wal-Mart de Mexico, France-based spirits company Pernod Ricard and IT services firm Capgemini, and Canadian agriculture company Nutrien.

Wal-Mart de Mexico (Walmex) became Walmart's first international business through a 1991 joint venture with Mexico's leading retailer, CIFRA. In 1997, Walmart acquired a majority stake in the company. Today, Walmex operates more than 3,000 stores in Mexico and over 900 in Central America, establishing itself as a dominant retailer in Mexico with a market share that is three times that of the #2 and #3 players.

A number of macroeconomic challenges, driven by national elections in Mexico and the United States last year, have pressured Walmex's valuation to its lowest levels in more than a decade. Moreover, late last year, COFECE (commission responsible for anti-competitive regulations in Mexico) initiated an investigation into Walmex's market dominance in the wholesale supply and distribution of consumer goods, which further hurt market sentiment. After we determined that this ruling would not have significant impact on the company's operations, growth, and profitability potential, we decided to invest in Walmex.

We appreciate that Walmex's operating margin has been stable, its free-cash-flow generation and returns on invested capital have been robust, and that the company has a net-cash balance sheet (excluding leases). Trading at a mid-teen multiple of earnings compared to its historic average of mid-twenties, Walmex represents an appealing investment opportunity to us.

Capgemini is a global IT services and consulting company based in France and is a well-regarded partner for many leading software providers such as SAP and Microsoft. Capgemini has enhanced its product mix over time by increasing its exposure to higher value-added offerings with secular growth potential (e.g., digital transformation, cloud, outsourced engineering, research and development, and AI), while reducing its exposure to the low-growth outsourcing segment.

The IT services industry saw significant gains during 2020–2022 as corporations sought to better digitize their capabilities during the pandemic. However, the industry has struggled in the past couple of years as corporate discretionary technology budgets (excluding AI and cybersecurity) declined. While some of its peers are starting to show signs of recovery, Capgemini has lagged in terms of revenue growth. Sentiment soured after the company delivered lower-than-expected revenue guidance, suggesting its potential rebound may take longer than anticipated.

Capgemini currently trades at a marked discount relative to its peers. Although this is partially warranted because of its greater exposure to Europe (approximately 60% of revenues versus most competitors at 20–35%) and to manufacturing (particularly to the cyclically depressed auto industry), we believe the current discount provides a compelling opportunity to own a structurally growing business that has historically generated high returns on capital.

Pernod Ricard is one of the world's largest premium spirits companies, boasting a strong brand portfolio that includes 18 of the top 100 brands, such as Martell, Jameson, Absolut, and Chivas. The company has significant exposure to emerging markets, which account for nearly half of its sales.

Recently, Pernod's shares have been under pressure primarily due to demand weakness in the U.S. and China, which together make up nearly 30% of Pernod's sales. In 2023, the U.S. spirits market experienced a downturn both in volume and value terms for the first time in over a decade. In China, growth expectations for the market remain uncertain due to weak macro environment and downtrading in spirits. Despite these headwinds, we regard Pernod Ricard as a high-quality business with defensive characteristics. We like the company's margin expansion potential from operating leverage and its long-term growth prospects given its end-market exposure. Trading at a low-teen multiple of earnings, Pernod offers a compelling risk/reward tradeoff, in our opinion.

Current Positioning

As of March 31, the Fund has overweight positions in France and emerging markets, and underweight positions in Australia and Japan. From a sector perspective, it holds key overweights to health care and consumer staples, while maintaining meaningful underweights to industrials and financials. As mentioned earlier, the strong performance of several holdings in the financial sector has led to us paring and selling some names, which has resulted in a larger underweight than the start of the year. In contrast, we have continued to find new opportunities in the consumer staples sector and the Fund's overweight has increased.

The first quarter marked a reversal of several market trends that we had observed over the past several years, with international stocks dramatically outperforming U.S. stocks (MSCI EAFE vs. MSCI USA) and value stocks surpassing growth stocks (MSCI EAFE Value vs. MSCI EAFE Growth). We cannot predict if this pattern will continue, but we believe that both international equities and value stocks offer compelling return potential based on their current valuation levels.

Prior to this quarter, U.S. stocks had outperformed international stocks for 15 years. However, that dominance was only partly shaped by company fundamentals, as a strong U.S. dollar and lofty investor enthusiasm driving up valuations (i.e., "multiple expansion") also played a big role on U.S. outperformance. The latter two factors powered approximately 5% annualized of U.S. outperformance versus international markets since 2011, but we believe they are less likely to continue going forward. Even a modest reversal in U.S. dollar strength and valuations for U.S. stocks—like what we recently saw—can be a strong tailwind for international stocks. On a sector-adjusted basis, international stocks continue to trade near some of the largest valuation discounts versus U.S. stocks, which should bode well for value.

Value stocks saw modest recovery during the quarter relative to growth stocks but continue to trade among the cheapest quartile relative to growth stocks on a variety of valuation measures. Historically, such discounts often preceded value outperformance versus growth for the subsequent three to five years. Notably, the Fund—guided by our value philosophy and process—has had the tendency to outperform the benchmark during value-led periods.

Uncertainty is an enduring feature of markets, though unease may seem heightened today compared to much of the past 15 years. Amid these uncertain times, we believe it is prudent to remember that markets evolve over time, and good businesses have the ability to adapt to new environments. Although recently announced tariffs add complications, their impact and duration will vary by industry or company, and a fundamental manager such as Brandes could be well positioned to take advantage of potential market overreactions and underreactions to the changing environment. We will continue to monitor the implementation of tariffs and analyze their impacts on a company-by-company basis.

The Brandes International ETF trades at more compelling valuation levels than the benchmark, in our opinion. Additionally, the Fund's holdings generally have stronger balance sheets than the companies that comprise the MSCI EAFE and MSCI EAFE Value indices, as highlighted by financial leverage metrics, such as net debt to EBITDA (earnings before interest, taxes, depreciation and amortization). Going forward, we remain optimistic about the long-term prospects of our holdings.

Performance (%) as of March 31, 2025					
	3 Months	YTD	1 Year	3 Years	Since Inception 10/03/2023
NAV	10.26	10.26	13.20	—	22.26
Market Price	10.82	10.82	13.30	—	22.74
MSCI EAFE Index	6.86	6.86	4.88	—	16.74
MSCI EAFE Value Index	11.56	11.56	12.85	—	20.20

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For term definitions: https://www.brandes.com/termdefinitions

Multiple Expansion: an increase in a valuation multiple such as a Price to Earnings multiple.
The margin of safety for any security is the discount of market price to our estimate of intrinsic value.
The MSCI EAFE Index with net dividends captures large and mid cap representation of developed market countries excluding the U.S. and Canada.
The MSCI EAFE Value Index with gross dividends captures large and mid cap securities across developed market countries, excluding the United States and Canada, exhibiting value style characteristics, defined using book value to price, 12-month forward earnings to price, and dividend yield.
The MSCI EAFE Growth Index with gross dividends captures large and mid cap securities across developed market countries, excluding the United States and Canada, exhibiting growth style characteristics, defined using long-term forward earnings per share (EPS) growth rate, short-term forward EPS growth rate, current internal growth rate, long-term historical EPS growth trend, and long-term historical sales per share growth trend.
The MSCI USA Index measures the performance of the large and mid cap segments of the U.S. equity market.

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It is not possible to invest directly in an index.

Investing involves risk, including potential loss of principal. An investment in the Fund may be subject to risks associated with investing in equity securities, including foreign and value securities risks, issuer risk, and focused investing risk. The Fund may, from time to time, invest a substantial portion of the total value of its assets in securities of issuers located in a particular industry, sector, country or geographic region. During such periods, the Fund may be more susceptible to risks associated with that industry, sector, country, or region. The Fund is an exchange-traded fund and, as a result of this structure, it is exposed to additional trading and transactional risks, limited participant risk, and risks associated with buying and selling shares. The Fund is a recently organized investment company with limited operating history. Please see the prospectus for a discussion of risks.

ETFs are subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of an ETF's shares may trade at a premium or discount to its net asset value, an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact an ETF's ability to sell its shares. Shares of any ETF are bought and sold at market price (not NAV) and are not individually redeemed from the ETF. Brokerage commissions will reduce returns.

Investors should consider the investment objectives, risks, charges and expenses carefully before investing. For a prospectus or summary prospectus with this and other information about the Fund, please call (866) 307-0477 or visit http://www.brandes.com/etfs. Read the prospectus or summary prospectus carefully before investing.

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